

Inter-American Foundation
Meeting of the Board of Directors and Advisory Council
November 9, 2015

The board of directors and advisory council of the Inter-American Foundation (IAF) met at the offices of Baker & McKenzie LLP at 815 Connecticut Ave, NW Washington, DC 20006, on November 9, 2015. Board members present were Eddy Arriola, chair; Amb. Thomas Dodd, vice-chair; Jack Vaughn, secretary; Kelly Ryan, John Salazar and Roger Wallace. IAF advisory council members present were Amb. Alexander Watson, chair; Marcos Flavio Azzi, Nicolás Mariscal, Amb. Hector E. Morales, Rafael Fernandez-MacGregor, Anita Perez-Ferguson, Juan Edgar Picado, James Polsfut, and Dr. Susan Tiano. Members of the IAF management team in attendance included Robert Kaplan, president; Stephan Cox, managing director for networks and strategic initiatives; Lesley Duncan, chief operating officer; Marcy Kelley, managing director for grantmaking and portfolio management; Manuel Nuñez, managing director for external and government affairs; Paul Zimmerman, general counsel; and Karen Vargas, executive assistant. In addition, IAF foundation representatives Gabriela Boyer, Jeremy Coon, and David Fleischer were present. The Honorable Roberta S. Jacobson joined for a portion of the meeting.

I. CALL TO ORDER

Chairman Eddy Arriola called the meeting to order at 9:07 a.m.\

II. APPROVAL OF THE MINUTES

The minutes of the meeting of the IAF board of directors on August 10, 2015 were approved and adopted by a unanimous voice vote.

III. MANAGEMENT REPORT

A. Overview (Robert Kaplan)

IAF President Kaplan outlined the agenda for the meeting and provided a brief update of IAF affairs since the last meeting in August.

Grantee partner visits by official delegations

Kaplan updated the October 2015 management report included in the board book that provided information about a Congressional delegation visit with an IAF grantee partner in Guatemala on October 30. This visit did not come to pass because the delegation was delayed in leaving

Washington, DC so that the members could cast votes on a two-year budget agreement and suspension of the debt ceiling.

Kaplan reported that several Congressional staff delegations visited IAF grantee partners over the previous several months. These included an IAF sponsored visit to Honduras and El Salvador in August, an Aspen Institute sponsored visit to Guatemala in October and visits to Guatemala and Honduras by two staff delegations in May.

FY16 Budget

The IAF has been operating on a continuing resolution since October 1 and will continue to do so through December 11. Both the House and Senate appropriations committees marked the IAF at the FY15 level of \$22.5 million for FY16. Both chambers marked the President's special request of \$1 billion for Central America at a much lower level, and prospects are still unclear at this time.

FY15 Audits

Kaplan reported on several external audits at the IAF during the year. The Federal Information Security Modernization Act FY15 audit report included a few recommendations now being addressed by IAF management.

The IAF received an unmodified FY15 financial audit, which means that there were no findings or recommendations.

For the first time in several years, the Office of the Inspector General of USAID conducted a program audit based on visits to six IAF grantee partners in El Salvador and Brazil. The report includes a few minor findings and recommendations now being addressed by IAF management.

Engaging with IAF Fellows

A two-day orientation meeting took place last month at the IAF with Ph.D fellows in the 2015-2016 program cycle. The purpose of the meeting was to improve the fellows' integration with the rest of our development program. The 16 fellows will work in 11 countries on a variety of topics relevant to the work of the IAF and our grassroots partners. The fellows had an opportunity to learn about the IAF's work, and the meeting gave the fellows and staff a chance to interact with each other and set the stage for continued engagement over the next year. The orientation meeting included a panel on mixing scholarship and development practice, facilitated by Dr. Robert Maguire, director of the Latin American and Hemispheric Studies program at the George Washington University, and involving four distinguished alumni of the fellows program.

The fellows' mid-year conference will be held in Mexico City in late February 2016.

Grantee Perception Survey

Kaplan reported on results of the grantee perception survey conducted by the Center for Effective Philanthropy. The IAF was the first government agency to participate four years ago in this standard survey that allows a foundation to compare confidential responses from its grantees with those of over 42,000 grantees from about 300 foundations. In the IAF's case, we also compare our results with those of a smaller cohort of 14 foundations that fund internationally. By participating a second time in the fall of 2014, we can track progress against our own previous results. About 70 percent of the IAF's grantee partners responded.

Principal results in the 2014 report are slightly better but mostly consistent with those of the 2011 survey. These include high ratings on impact in grantees' field, community and organization, as well as on the grantee-funder relationship, helpfulness of selection, reporting and evaluation processes, and on non-monetary assistance, such as opportunities for grantee meetings and exchanges. Both times, the IAF received the highest score ever recorded regarding the helpfulness of our reporting and evaluation processes for strengthening grantee partner organizations.

Evaluation

After reviewing the results from the grantee perception survey in March, we decided to seek assistance from a consultant to dig deeper and learn what specifically our grantee partners find so helpful about our reporting and evaluation requirements. We have now contracted Giving Evidence to interview IAF grantee partners and prepare a case study. Giving Evidence will also provide recommendations for how the agency might get more value from our evaluation processes while preserving the value for our grantee partners.

B. Report on the Implementation of IAF's Strategic Plan (Lesley Duncan)

Chief Operating Officer Duncan presented an overview of the IAF's operational context comparing FY14 and FY15. The IAF's total FY15 budget of \$29.9 million was slightly higher than the \$29.5 million budget in FY14 despite a Congressional appropriation at the same level of \$22.5 million for both years and a slight drop in Social Protection Trust Fund receipts (\$6.1 million versus \$6.4 million in FY14). The IAF's administrative costs dropped from 18 percent to 11.8 percent in FY15, primarily reflecting the reclassification of overhead costs to match guidance from the American Institute of Certified Public Accountants. Staffing remained constant across both years at 38 full time equivalents, and counterpart commitments from the IAF's grantee partners dropped slightly from \$20.3 million in FY14 to \$19.2 million in FY15. Duncan noted that the IAF's FY16 appropriation through December 11 under the continuing resolution is \$4.41 million, which corresponds to 19.7 percent of the FY15 appropriation. The IAF's 2013 – 2017 strategic plan outlines five strategic goals to guide work toward achieving the foundation's mission of "promoting and investing in grassroots development to help communities thrive." Duncan summarized the principal FY15 results among the 19 specific metrics reported in the annual performance accountability report and included in the board book..

Goal 1: Support the coordinated efforts of the poor. The IAF exceeded its goal of 107 funding actions by six percent, approving 63 new and 50 supplemental funding actions in the year. Seventy-six percent of projects reported meeting or exceeding outcomes, shy of the 80 percent goal.

Goal 2: Promote the social inclusion and civic participation of traditionally marginalized groups. The IAF met its goal of 75 funding actions enhancing opportunities for marginalized groups, which account for about 70 percent of total FY15 actions. The IAF also met its goal of 32 exchanges or other efforts enhancing the participation of traditionally marginalized groups. The 48,200 reported accomplishments in improving the quality of life of traditionally marginalized groups fell below the FY15 goal of 60,000.

Goal 3: Make knowledge generation and knowledge management an integral part of [IAF's] work. The agency exceeded its goal of 71 actions to enhance opportunities for promoting learning among its partners by 200 percent, reporting 621 participants focused on peer-to-peer learning in FY15. The agency also met performance measures associated with publications, funded research and knowledge-generating activities. In FY15 the IAF began developing a platform for peer-to-peer knowledge exchange in accordance with performance measure four which deals with institutionalizing knowledge management.

Goal 4: Increase awareness, understanding and support for the IAF and its program among key audiences in order to draw more resources into grassroots development. The agency met most associated performance measures. The IAF made strides in increasing visibility via an online presence and speaking engagements. The agency met its goal of 18 media coverage slots, press releases and recognition of projects, including a White House photo featuring an IAF grantee partner. Although we fell slightly short of our goal of \$21.5 million in counterpart commitments, they have remained around the five-year average of \$1.36 contributed by grantee partners for every \$1 invested by the IAF. We also did not meet our fundraising goal of \$2 million, falling short with only \$125,000 of donated funds in FY15.

Goal 5: Modernize and strengthen IAF operations. The agency met its goal for communicating funding decisions to applicants -- 171 days, on average. In FY15 the IAF awarded a contract to implement a new grants management system that will be operationalized in the second quarter of FY16. The IAF participated in the Grantee Perception Survey, as reported earlier.

C. FY15 Development Grants Program (Marcy Kelley)

Managing Director Kelley reported on the IAF's development grants program in FY15. The IAF funded 63 new grants and 50 supplemental funds amendments totaling 113 funding actions that represent a \$15.7 million investment, compared to 107 funding actions and a \$15.4 million investment in FY14. The average IAF grant size was \$171,000 for three years; the average additional funds amendment was \$95,000 for two years. Total counterpart commitments in FY15 were \$19.3 million. The IAF's development grants portfolio is strong, with 282 active projects

representing a commitment of \$70.5 million from the IAF and \$95.1 million from our grantee partners.

We fell just short of our intention to commit 50 percent of the IAF's development grants program in FY15 to Central America and Mexico ; 47 percent of the funding actions went to that region, up from 36 percent in FY14. The IAF's active portfolio in Central America and Mexico amounts to \$26.5 million, representing 41 percent of our overall active portfolio.

The IAF's federal appropriation was the principal source for funding the development grants program in FY15, contributing \$8.4 million. The Social Protection Trust Fund provided \$6.0 million. Other sources were recoveries and proceeds from the donation from the Mott Foundation, with \$1.2 million and \$140,000 respectively.

Kelley mentioned other ways we support our grantee partners, including peer-to-peer exchanges and leadership development through conferences, meetings, international education and advocacy events used to connect organizations with common agendas in a range of settings. The Americas Partnership for Social Inclusion and Equality and the Inter-American Social Protection Network, both funded in part under an interagency agreement with the Department of State, helped support these efforts.

Finally, Kelley noted that the IAF launched three strategic themes in FY15 around sustainable smallholder agriculture, community asset mobilization and social and economic inclusion. She introduced three foundations representatives to speak on each in turn.

Sustainable Smallholder Agriculture

Jeremy Coon, foundation representative for Bolivia and Paraguay, presented on sustainable smallholder agriculture. He discussed grantee participation in the Ecovida regional conference, which took place in April. About 1,800 people from 16 countries, including 90 participants from over 60 IAF grantee partners, joined in the event. Following the conference, the IAF hosted a two day event with its grantee partners to explore how the agency could better support, learn from and apply lessons from grantee partners and help them better share and learn from each other. An important result of the Ecovida conference was increased interaction among Central and South American grantee partners, and the application of new practices that many grantees report disseminating to their wider communities.

In FY15, 62 percent of the IAF portfolio supported rural development. Although the population in Latin America and the Caribbean is largely urban, Coon explained that the depth and duration of poverty is generally higher in rural areas, which also present higher rates of social and economic exclusion. Nearly 100 IAF projects, or 30 percent of the portfolio, focus on finding sustainable solutions in rural areas. The next steps for this thematic area include new grantmaking focused on this strategic theme, dissemination of practices through blogs, videos, articles; connecting new partners, including through technology like the partner engagement platform under development; support of regional and thematic exchanges and meetings; and the development of new tools for data collection and applied learning.

Community Asset Mobilization

Gabriela Boyer, foundation representative for Nicaragua and the community foundation initiative in Mexico spoke on community asset mobilization. She cited five ways the IAF has successfully supported the mobilization of community assets, including community foundations, regional networks like RedEAmérica, diaspora organizations or hometown associations, participatory budgeting, and social and environmental funds. These represent different ways that communities mobilize assets to take control of their future. In some cases, these approaches also enable the IAF to support emerging grassroots organizations that we would not otherwise be able to reach. Boyer explained that community asset mobilization is central to the IAF's mission. It emphasizes human resources, social capital and cultural richness. It also enhances agency, local ownership and accountability. Giving at the local level challenges the perception that the community is solely a passive recipient of external assistance, and it contributes to sustainability. It has also created significant opportunities for funding partnerships, best exemplified by the IAF-Mott Foundation initiative that supports the community foundation sector in a number of ways.

IAF has supported the community foundation sector since 1998. In 2009, after a series of discussions among Mexican community foundations, they created Comunalía -- a network of 17 community foundations in 15 Mexican states. The IAF's collaboration with Comunalía also supports a multi-country community of practice of foundation leaders from Brazil, Costa Rica, Haiti, and Mexico. In 2016, our collaboration in Mexico will conduct a follow up study to the 2009 *Mexico Community Foundations: A Comprehensive Profile*. This will review progress in the Mexican community foundation sector and look for lessons and practices that will inform policy and programmatic decisions. The next steps regarding the community asset mobilization initiative include growing the IAF's participation in the Global Alliance for Community Philanthropy, continued work with Mott Foundation in strengthening the Mexican community foundation sector, and further work with the ad hoc working group on building broader communities that emerged from the Foundation's engagement with a score of US community foundations last year.

Social and Economic Inclusion

The third strategic theme is social and economic inclusion and was presented by David Fleischer, foundation representative for Brazil and Uruguay. He described the theme as encompassing several important ongoing efforts with the common purpose of enhancing opportunities for marginalized communities to participate more actively and advantageously in the social and economic lives of their communities and countries. Fleischer noted that the IAF focuses on a number of groups, including women, indigenous communities, Afro-descendants, youth, persons with disabilities, and LGBTI populations. Fleischer illustrated the strategic theme by discussing our work with Afro-descendants, who are among the most socially marginalized people in the Americas and often subject to cultural discrimination. The United Nations Development Program estimates that 30 percent of the population of Latin America is Afro-descendant, making it five times larger than the indigenous population. Rural Afro-descendant communities often face encroachment from large-scale farming and mining industries, which sometimes violate their rights. Fleischer noted that 22 percent of the IAF's active portfolio supports Afro-descendant

communities: 58 active grants in 12 countries. About two-thirds of all grants to Afro-descendants focus on agricultural practices and one-third on human rights and capacity building in urban areas.

In Brazil, we have focused on *quilombola* communities, which are typically descendents of runaway slaves who organized isolated communities (*quilombos*) in forested areas distant from urban centers. Brazilian law accords their lands protections similar to those for indigenous lands, and these communities have developed cultural practices to maintain and reproduce their way of life. Fleischer described two examples of how the IAF works with these communities in the states of Goiás and São Paulo. He also talked about the IAF's work with AAMP, a women-led organization in an Afro-descendant urban community on the periphery of Guayaquil, Ecuador that lacks basic services and support for commercial activity. The leader of AAMP, Sonia España, was one of 15 individuals chosen from among 700 civil society participants at the Summit of the Americas, to meet with President Obama. Next steps in this strategic theme are to continue expanding the IAF's work with Afro-descendants and other marginalized groups, including women, youth, indigenous, the disabled and LGBTI populations.

D. Communications update (Manuel Nuñez)

Managing Director Nuñez reported on our gradual shift from a print-based communications strategy to a web-based strategy.

He presented advance copies of the 2015 annual report, a new format with six foldout pages, that is much leaner than the traditional 50 – 60 page report that required substantial time and effort from staff across the agency. The new version is intended to communicate the essence of the IAF's work in a concise manner using visual aids and prompting interested readers to engage on our website and via social media.

Nuñez also announced that we have revised our approach to publication of the journal *Grassroots Development*. Rather than publishing new articles in a lengthy publication once each year, we will now print shorter Fall/Winter and Spring/Summer editions, drawn primarily from material published on our website throughout the year. This will be more cost-effective and reflect the primacy of our website, while still generating high-quality materials to hand out to the public.

Website. Last year, metrics concerning online traffic to the IAF website and social media sites were rather low. Today, the IAF website has had 79,000 unique visitors, the Facebook page is up to 25,000 visitors, and Vimeo (video page) has received 127,000 downloads and 7,000 views of the posted content. The growth in traffic is due in part to the IAF plugging into the GovDelivery network, which prompts visitors to sign up to receive news and updates from the agency. This has generated subscriptions to the IAF, but the more significant avenue is when individuals who sign up for news from similar agencies receive targeted messaging informing them that they may also be interested in the IAF. The IAF subscriptions base grew from 0 to 13,000 in the past eight months. About 10,000 of these new subscriptions are redirected visitors coming from the GovDelivery network. These numbers all indicate that awareness of the IAF has grown. While

we will continue efforts to increase these numbers, we also need to ensure that we can effectively engage subscribers with meaningful content that helps create and grow the relationship.

Núñez demonstrated the IAF's new website with its modern stacked format for laying out content that makes the website more user friendly and content easier to navigate. He noted some new features, including geotagging of IAF projects on an interactive map and a donate button that links to *pay.gov*, a website managed by the Treasury Department, which processes payments to government agencies. Núñez suggested a minimum donation level of \$100 to ensure that processing costs incurred by the agency would be covered. He went on to explain that the donate button cannot stand alone and should be accompanied by a strategy to drive potential donors to give. Finally, he announced that we have hired a donor engagement coordinator to help manage our donor engagement efforts. There followed considerable discussion about the processing fee, what it covers beyond the processing of the payment itself, what could be the impact on the agency's overhead rate if small donations were to become a substantial revenue stream, and whether or not collecting small donations is an appropriate strategy given the corresponding cost structure. Participants also provided feedback on the agency's new website, including congratulatory remarks on the update, and advice to track unique visitors per month as is the industry standard.

E. Third strategic goal and what it means to be a learning organization (Stephen Cox)

Kaplan noted that the IAF's third strategic goal is to "make knowledge generation and knowledge management an integral part of our work, informing new approaches for smarter investments by IAF and others." The institutional realignment last year created the networks and strategic initiatives office to focus efforts for this goal.

Managing Director Cox reported that in FY15 the agency selected and built the networks office team, took initial steps to establish a partnership with LINGOs to guide development of a partner engagement platform to support peer-to-peer learning and collaboration, launched three strategic thematic initiatives (discussed above), launched a working group on building broader communities and shifted institutional responsibility for the fellows program.

With this foundation in place, FY16 will be a year for action. Our vision is to catalyze and power a network of learners and doers that animates and informs the practice and discussion of "how communities thrive." We aim to establish the larger IAF community as the go-to resource on how to do and think about citizen-led development. Our approach is to build and support a peer-to-peer network in which hundreds and eventually thousands of partners and collaborators have access to the means, the medium, the content, the relationships, and the resources to actively experiment, apply, replicate and share successful ideas for helping communities thrive. To do this, we will draw on our skilled cadre of staff and in-country teams, thousands of current and former partners eager to engage, and over 1,000 graduate fellows and alumni.

To this end, the IAF's learning and collaboration work plan for FY16 is to continue efforts to launch partner engagement tools, build a stronger culture of learning and collaboration in the larger linked network, complete a systematic review of current evaluation practices (including a

look at the design and use of the Grassroots Development Framework), develop concrete learning and action plans for the three strategic thematic initiatives, and support with new funding actions as needed. As the IAF moves forward, it will continue to support exchanges and connections among partners.

Following some discussion a participant suggested that the IAF could thoughtfully engage more members of the advisory council during the year in areas where each member brings specific expertise. He suggested asking each member to identify his or her own specific areas of interest and expertise under the relatively broad headings of country, program area, and or IAF function. Kaplan agreed to reach out to follow up on this suggestion in the coming weeks.

IV. THE VIEW FROM MEXICO (NICOLÁS MARISCAL AND MARCOS FLAVIO AZZI)

Mexico

Advisory council member Nicolás Mariscal presented an overview of the Mexican context, underscoring the dichotomy that persists in a prosperous nation where high levels of poverty, inequality and impunity remain. Citing statistics from the government social development agency, CONEVAL, Mariscal noted that, of 120 million Mexicans, about 55 million live in poverty and an additional 40 million are considered vulnerable due to their low income or lack of access to social services. Put another way, only about 25 million Mexicans are neither poor nor vulnerable. And even as the country has achieved major reductions in social gaps, poverty levels have failed to decline. Mexican President Peña Nieto has responded by launching the Special Economic Zones initiative in an effort to develop the economies in the poorest southern states.

Mariscal commented on the country's susceptibility to natural disasters, underscoring the intersection of persistent poverty and disaster risk. He emphasized that unless poverty and underlying inequalities are addressed, disaster risk will grow and continue to undermine progress in poverty reduction and sustainable development. Second, he discussed the state of human rights in Mexico and the many types of violations, including forced disappearances. He cited the case last year in the state of Guerrero, where local police, the criminal gang *Guerreros Unidos* and the mayor of the city of Iguala have been implicated in the disappearance of 43 students from the Ayotzinapa teachers' college. Finally, he discussed the corrosive effects of corruption, which pose greatest danger when corruption is systemic or institutional.

He ended with a positive example of how to "fight evil with good." "El Edén" is a resilient community in Guerrero that has collectively engaged in rebuilding the community in the face of natural disasters, poverty and drug cartel activity. In his view, this is an example of how Mexicans should react to their present context. Mariscal urged the IAF to continue to support, stimulate and assist local efforts that aim to create opportunities and development.

Advisory council member Rafael-Fernandez MacGregor offered additional remarks. While concurring with many of the problems mentioned by Nicolás Mariscal, he said that he is optimistic for the country. He discussed the elements of the social contract between citizens and

their government, and how perceptions of progress or lack of progress affect decisions to stay or migrate.

Brazil

Advisory council member Marcos Flavio Azzi provided commentary on changes taking place in Brazil. He suggested that the current crisis is different previous crises because it is what he termed “an ethical crisis” rather than a financial crisis, although it is further complicated because it coincides with a significant economic downturn. He described this as a turning point for society in Brazil, and an opportunity for the public to regain confidence in their institutions that are holding corrupt politicians and businessmen to account. He also suggested that populism is on the wane in the country as people are no longer willing to vote for politicians who offer small gifts to the poor and then look the other way on large scale corruption.

Azzi presented some macroeconomic data points. Gross Domestic Product has decreased in 2015 while unemployment and inflation continue to rise. Interest rates are at unacceptable levels, and job creation is low. Azzi noted that fiscal challenges are worse than they have been in the previous 13 years. All in all, he expressed pessimism for economic conditions for the next year or two. Nevertheless, he remains optimistic that Brazil is in the midst of a transformative period that will ultimately be positive for the country.

V. REMARKS FROM THE HONORABLE ROBERTA A. JACOBSON, ASSISTANT SECRETARY OF STATE FOR WESTERN HEMISPHERE AFFAIRS

The Honorable Roberta S. Jacobson, Assistant Secretary for Western Hemisphere affairs at the Department of State, provided brief remarks on Latin America and the Caribbean and responded to questions from the board and advisory council members. She expressed a fondness for the IAF and recalled previous occasions when she attended board meetings on behalf of assistant secretaries who served on the IAF’s board -- the Honorable Bernard Aronson in the Bush administration and Ambassador Alexander Watson in the Clinton administration.

Assistant Secretary Jacobson offered reflections on the Summit of the Americas, and in particular the important engagement of civil society in a meaningful way. She also commented on the wave of social protest in the hemisphere over the course of the year, which has often reflected popular attitudes rejecting corruption. She noted that this represents an important change in the region, where perhaps five or ten years ago incidents that today elicit strong public expressions of discontent might have gone largely unremarked. Assistant Secretary Jacobson suggested that the United States and others need to continue to support civil society and ongoing efforts to strengthen transparency and democracy.

The Assistant Secretary expressed satisfaction that attention to the plight of the people of Central America has highlighted the importance of promoting economic development and effective government, in addition to more narrowly defined security objectives including gender-based violence. She noted that although the number of people migrating north from Central America has declined, more people are migrating south, reflecting the ongoing seriousness of the

problems in the region. In this context, Assistant Secretary Jacobson mentioned the current serious drought and the effects of climate change among the drivers of migration.

Assistant Secretary Jacobson underscored that we still have more to do to address the gender, racial, and ethnic discrimination that exist throughout the region, our own country included, and that when all citizens are treated equally, and are afforded the same treatment under the law, we can achieve shared prosperity. Assistant Secretary Jacobson expressed appreciation to the IAF for the success of the inter-agency agreements with the State Department that have supported the Americas Partnership for Social Inclusion and Equality and the Inter-American Social Protection Network.

VI. DATES FOR MEETINGS IN 2016

Kaplan noted that the board trip to Ecuador will take place the week of February 29. Advisory council members are welcome to participate at their own expense.

He reminded everyone that the board has scheduled meetings and a call in 2016 as follows:

Monday, May 2: meeting in Washington, DC

Monday, August 3: board conference call

Monday, November 14: board and advisory council meeting in Washington, DC

VII. ADJOURNMENT

The meeting was adjourned at 1:07pm by Chairman Arriola.